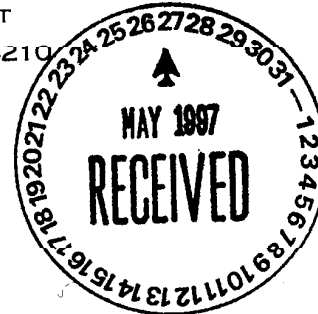


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May 22, 1997

David S. Guzy
Chief, Rules and Procedures Staff
Royalty Management Program
Minerals Management Service
PO Box 25165, MS 3101
Denver, CO 80225-0165

Re: Proposed Rule; Delegation of Royalty Management Functions to States

Dear Mr. Guzy,

Thank you for the opportunity to comment on the proposed rule regarding Delegation of Royalty Management Functions to States. I do have several areas of concern and/or clarification.

Section 227.500 paragraph (f) allows a State to impose "...assessments on a person who chronically submits erroneous reports;...". This rule is not clear as to whether States have the ability to impose assessments that are in excess of current MMS policy. Nor does it say whether the State's interpretation of 'chronic' may differ from the MMS interpretation. The intent of Section 227.106 paragraph (b) is to ensure the States "...effectively administer a royalty management system that will be uniform among the States." As such, the language of this rule should be unequivocal that States adhere to one MMS procedure regarding assessments and interest.

Sections 227.600 and 227.601 address the issue of automated verification. It is safe to say that many States do not have the MMS ability to assess the reasonableness of processed gas and NGL royalty payments based on gas plant analysis. The concern is that without this capability, the burden will fall on industry to satisfy the States by providing extraneous documentation not currently required by the MMS. Because of the large number of federal production being processed through gas plants, this would create an unreasonable burden on industry. The language of this rule should require States to have the same capacity of evaluating processed gas royalty payments that the MMS currently enjoys.

Finally Section 227.401 paragraph (c) requires States to "Accept multiple forms of electronic media from reporters, as MMS specifies; ". I assume this paragraph to mean the States are required to accept ALL electronic forms currently acceptable to the MMS. If it does not, the wording should be changed. This will help ensure a smooth transition and avoid unreasonable conversion costs for industry.

Again, thank you for this opportunity and for your consideration of these concerns.

Sincerely,

Tom Kravchak
Revenue Manager